

**The Internal Revenue Service Has Made
Substantial Progress Toward Recording Calls
as Part of the Quality Assurance Monitoring of
its Toll-Free Telephone Assistance**

January 2003

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

January 16, 2003

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION
COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Internal Revenue Service Has Made
Substantial Progress Towards Recording Calls as Part of the
Quality Assurance Monitoring of its Toll-Free Telephone
Assistance (Audit # 200230024)

This report presents the results of our review of the Internal Revenue Service's (IRS) efforts to implement call recording as part of the quality assurance monitoring of its toll-free telephone assistance. In Fiscal Year 2002, Customer Service Representatives (CSR) answered approximately 42 million calls from taxpayers. The IRS has a significant business need to monitor a sample of incoming calls to determine the quality of telephone services it provides. The monitoring method currently used by the IRS involves having the CSR's manager or an independent IRS employee, assigned to a quality review function, remotely listen to the call as it takes place. However, a previous audit¹ raised concerns with the statistical validity of the existing quality monitoring system and suggested that an automated call recording system would be one way of achieving random call selection. The IRS responded that it was aggressively pursuing the technology to implement call recording.

In summary, the IRS has taken significant actions to achieve the capability to record calls to its toll-free telephone system and, at the time we completed our review, was targeting an implementation date of September 30, 2003. The IRS' preliminary plans call for the installation of a call recording system that can capture both the voice and

¹ *The Internal Revenue Service Could Improve Its Process to More Reliably Measure the Accuracy of Its Toll-Free Tax Law Assistance* (Reference Number 2002-40-051, dated February 2002).

screen (i.e., computer files accessed by the CSRs) data. The actions already taken by the IRS include: appointing a project manager and team members to establish the system requirements, conducting a market survey of potential vendors, budgeting nearly \$10 million for call recording over a 2-year period, entering into a Letter of Understanding with the National Treasury Employees Union that monitored telephone calls will also be recorded, and obtaining guidance on the legal requirements for recording calls. On November 22, 2002, the IRS' Executive Steering Committee approved completion of the first project milestone and commencement of the next two milestones.

While significant work remains to be done, the planned implementation of call recording by the 2004 Filing Season² will provide the IRS with an important opportunity for improving the effectiveness and efficiency of its quality assurance process and, in turn, for improving the quality of the customer's experience when calling the IRS for assistance. In the interim, the close involvement of senior IRS management will be critical for ensuring that the business requirements for the call recording system are properly developed, milestone dates are being met, and any unforeseen problems are promptly identified and resolved.

Since we are making no recommendations, a response to this report was not required. Please contact me at (202) 622-6510 if you have questions or Parker F. Pearson, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs), at (410) 962-9637.

² The filing season is the period from January through mid-April, during which most individual income tax returns are filed.

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The Internal Revenue Service Has Made Substantial Progress Toward Recording Calls as Part of the Quality Assurance Monitoring of its Toll-Free Telephone Assistance

Background

The Internal Revenue Service (IRS) provides several toll-free telephone numbers that taxpayers can call to ask tax law questions, order tax forms, and discuss various tax account issues. In Fiscal Year (FY) 2002, the IRS answered more than 107 million incoming calls to its toll-free telephone lines. The IRS used automated services (i.e., recorded information) to answer approximately 65 million of these calls. Customer Service Representatives (CSR) answered the remaining 42 million calls.

The IRS has a significant business need to monitor a sample of incoming calls to determine the quality of telephone services that its CSRs provide to millions of taxpayers each year. The primary monitoring method currently used by the IRS involves an independent IRS employee assigned to a quality review function to remotely listen to the call as it takes place. A centralized quality review staff remotely monitors a sample of calls to measure accuracy rates on an IRS-wide basis. In addition, managers at each call site are required to sample calls to evaluate the performance of individual CSRs.

In February 2002, the Treasury Inspector General for Tax Administration (TIGTA) reported¹ that certain weaknesses in the IRS' design and implementation of its sampling strategy for monitoring calls may bias the accuracy of the results. We recommended that the IRS develop a system to ensure random call selection for measuring the accuracy of tax law assistance, and suggested that an automated call recording system would be one way to accomplish this. In their response, IRS management agreed that automated call recording is the best way of achieving random call selection and stated that, while they did not currently have the technological ability to implement it, they were aggressively pursuing it.

In the private-sector call center industry, call recording is an accepted and increasingly popular quality assurance monitoring practice. Some state government agencies also

¹ *The Internal Revenue Service Could Improve Its Process to More Reliably Measure the Accuracy of Its Toll-Free Tax Law Assistance* (Reference Number 2002-40-051, dated February 2002).

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record incoming calls, and other state agencies are in various stages of planning to record calls.

This review was performed to determine the status of the IRS' efforts to implement automated call recording on its toll-free telephone system. To perform this audit, we interviewed Customer Account Services staff from the Small Business/Self-Employed (SB/SE) and Wage and Investment (W&I) Divisions in Oakland, California, and Atlanta, Georgia, respectively. In addition, we reviewed documentation provided to us by the IRS regarding its efforts to date to implement automated call recording. We performed the audit in accordance with *Government Auditing Standards* between September and December 2002. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The Internal Revenue Service Is Moving Forward with Plans to Implement Call Recording by the 2004 Filing Season

As early as 1997, the IRS began exploring the legal implications of recording telephone calls for quality assurance purposes. The office of Chief Counsel² subsequently advised IRS management that it was permissible for the IRS to record calls provided that certain actions were taken. These included ensuring that Federal Communications Commission (FCC) requirements³ on obtaining consent were followed, existing IRS rules were waived or revised to allow recording, and the recorded information was safeguarded the same as tax return information. Subsequently, the IRS Commissioner deferred taking any action on the call recording initiative because he felt that it was not a good time for the IRS to state that it was recording calls.

² Memoranda to the National Director, Customer Service Planning and Systems, from the Assistant Chief Counsel (General Legal Services), dated June 24, 1997, and from the Assistant Chief Counsel (Disclosure Litigation), dated July 14, 1997.

³ The FCC rules at 47 Code of Federal Regulations § 64.501 state, in part, that a conversation may be recorded only if the prior mutual consent of all parties has been obtained, an oral notification has been given at the beginning of the call, or an automatic tone warning is repeated at regular intervals during the course of the conversation.

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In May 2001, the IRS Commissioner directed IRS management to move forward with call recording and suggested that the W&I and SB/SE Divisions work together to determine the feasibility of call recording and develop a proposal. Currently, the W&I Division has the lead in this effort. The project office contains members from the:

- W&I and SB/SE Divisions' Customer Account Services organizations.
- W&I and SB/SE Divisions' Compliance organizations.
- W&I Division's Customer Assistance, Relationships and Education organization.
- Tax Exempt and Government Entities Division.

The IRS' preliminary plans call for the installation of a call recording system that can capture both the voice and screen (i.e., computer files accessed by the CSRs) data. The IRS' Improvement Project Plan (IPP) states that call recording will enable it to more efficiently and effectively review telephone calls, develop and evaluate employees, and improve the quality of service provided to its customers. Some of the specific potential benefits of call recording that were identified by the IRS include:

- Call recording would provide an opportunity for the IRS to develop a statistically valid quality monitoring system by setting parameters to ensure that random calls are sampled.
- Calls can be reviewed over the full scope of the IRS' hours of operation without regard to the manager/reviewer/employee tours of duty.
- Calls can be reviewed more efficiently since, during the review process, reviewers can bypass the time when the CSR is not speaking to the taxpayer.
- More specific feedback will be given to employees since they will be able to actually hear the call and review the events that occurred while they were assisting the taxpayer.

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- Call recording will enable managers and employees to focus review discussions on the exact content of the call and the actions taken during the call. Disagreements between managers and employees about what actually occurred during the call should be rare.
- Call recording will provide managers with a more accurate assessment tool for evaluating employee performance. This will enable them to develop better improvement plans for employees.
- Employees should be motivated to perform at higher levels due to the improved feedback and increased coaching activities from their managers.

At the time we completed our review, the IRS was targeting the implementation of call recording by September 30, 2003. The actions already taken by the IRS include:

- Appointing a project manager and team members representing stakeholders to establish the system requirements.
- Conducting a market survey and analyzing the responses from the three vendors identified that are capable of handling a system the size of the IRS.
- Visiting another Federal agency that uses a call recording system to learn more about system requirements.
- Budgeting nearly \$10 million for call recording over a 2-year period.
- Entering into a Letter of Understanding with the National Treasury Employees Union regarding recording of calls for monitoring employee performance.
- Obtaining updated legal opinions that the IRS may record calls as long as the requirements previously set forth in the 1997 memoranda from General Legal Services and Disclosure Litigation are followed.

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- Coordinating with the IRS' Privacy Advocate to ensure that all taxpayer privacy implications are appropriately addressed.

The first phase of the proposed Business Systems Plan for recording monitored calls (Milestone I) was approved as completed by the Executive Steering Committee on November 22, 2002. In addition, the Committee approved commencement of the next two milestones that include developing requirements, building a business case, writing the Project Management Plan and writing the Disaster Recovery Plan.

The call recording system that will be procured will be modular in design to allow for future enhancements that are currently not funded. For example, initially a sample of calls will be recorded, but the system will allow for expansion to record more calls. The initial system will be used by both the current centralized quality review staff and by managers for individual employee monitoring.

While significant work remains to be done, the planned implementation of call recording by the 2004 Filing Season⁴ will provide the IRS with an important opportunity for improving the effectiveness and efficiency of its quality assurance process and, in turn, for improving the quality of the customer's experience when calling the IRS for assistance. In the interim, the close involvement of senior IRS management will be critical for ensuring that the business requirements for the call recording system are properly developed, milestone dates are being met, and any unforeseen problems are promptly identified and resolved.

⁴ The filing season is the period from January through mid-April, during which most individual income tax returns are filed.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall audit objective was to determine the status of the Internal Revenue Service's (IRS) efforts to implement automated call recording on its toll-free telephone system.

To accomplish this objective, we:

- I. Interviewed key executives, managers, and analysts from the Customer Account Services functions of the Small Business/Self-Employed and Wage and Investment Divisions, and:
 - A. Determined why the IRS does not currently record telephone calls of its toll-free telephone system.
 - B. Determined why the IRS does not currently provide a recorded announcement informing customers that their calls may be monitored for quality assurance purposes.
 - C. Identified any plans the IRS has for the future recording of toll-free telephone calls.
 - D. Determined what concerns the IRS has about recording toll-free telephone calls.
 - E. Determined what benefits the IRS believes it could derive from recording toll-free telephone calls.
 - F. Identified research the IRS has done into the possibility of recording toll-free telephone calls.
- II. Reviewed the IRS' current contract with the National Treasury Employees Union to identify any barriers or prohibitions to the recording of toll-free telephone calls.
- III. Researched Incoming Calls Management Institute materials and other call center literature available on the Internet to identify industry best practices, industry studies, and research papers regarding the benefits and barriers to recording incoming calls for quality assurance purposes.
- IV. Surveyed federal and state agencies to determine those that use, or plan to use, call recording technology for quality monitoring.
- V. Reviewed work done by the IRS in consulting with the office of the IRS Privacy Advocate; reviewed applicable federal and state statutes to determine the legal implications of recording incoming calls; and researched the Internet for legal and business interpretations of these statutes.

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- VI. Placed test calls to the various toll-free numbers provided by the IRS to determine if an announcement was provided to callers that the call may be monitored.
- VII. Researched IRS publications that advertise many of the IRS' toll-free numbers to determine if they contained a notice that calls to the IRS may be monitored.
- VIII. Reviewed prior General Accounting Office and Treasury Inspector General for Tax Administration audit reports on the IRS' quality assurance monitoring process for the toll-free telephone system.
- IX. Placed test calls to the toll-free numbers provided by other Federal agencies to determine if an announcement was provided to callers that the call may be monitored.

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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

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Deputy Commissioner, Wage and Investment Division W
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Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
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 Commissioner, Wage and Investment Division W
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